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Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

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FM USLO PEKING
TO SECSTATE WASHDC 2587
INFO AMEMBASSY TAIPEI
AMEMBASSY TOKYO
AMCONSUL HONG KONG
CINCPAC

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E.O. 11652: N/A
TAGS: ETRD, BTRA, CH, US
SUBJECT: OPENING WEEK OF THE 1974 FALL CANTON TRADE FAIR

SUMMARY COMMENT: AT THE END OF THE FIRST WEEK, THE 36TH CHINESE EXPORT COMMODITIES FAIR AT CANTON REFLECTED THE CURRENT DEPRESSED STATE OF THE WORLD'S ECONOMY AND CHINA'S OWN CONCERN WITH INCREASING EXPORT EARNINGS. AS A RESULT OF ECONOMIC PROBLEMS AT HOME AND DISAPPOINTMENT AT THE HIGH PRICES AND LOW AVAILABILITIES WHICH CHARACTERIZED THE SPRING FAIR, BUSINESSMEN HAVE ARRIVED IN CANTON IN FEWER NUMBERS, WITH LIMITED BUYING POWER, AND WITH LESS IN THE
WAY OF EXPECTATIONS. AT THE SAME TIME, THE CHINESE SEEM ANXIOUS TO SELL AND HAVE GENERALLY LOWERED PRICES. IT IS TOO SOON TO JUDGE THE FAIR'S RESULTS, BUT SO FAR THERE HAVE BEEN NOTICEABLY FEWER COMPLAINTS ABOUT PRICES AND AVAILABILITIES, AND A NUMBER OF BUYERS WERE ABLE TO COMPLETE THEIR BUSINESS IN THE FIRST WEEK AND LEAVE SATISFIED. INITIALLY, AT LEAST, THE CHINESE SEEM DISINTERESTED IN MAKING PURCHASES AND HAVE CONTINUED TO STRESS THE EXPORT
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CHARACTER OF THE FAIR. AS IN THE SPRING, THE CHINA NATIONAL

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TECHNICAL IMPORT CORPORATION IS NOT REPRESENTED. END SUMMARY COMMENT.

1. IN CONVERSATIONS WITH US AND FOREIGN BUSINESSMEN, FAIR OFFICIALS, AND OTHER DIPLOMATIC OBSERVERS, USLO OFFICERS IN CANTON HAVE OBTAINED THE FOLLOWING IMPRESSIONS OF THE FAIR.

2. ATTENDANCE. THROUGHOUT THE OPENING WEEK, OVERALL ATTENDANCE WAS DEFINITELY DOWN, WITH BUSINESSMEN FROM WESTERN EUROPE (MAINLY FRANCE AND ITALY) MOST CONSPICUOUS BY THEIR REDUCED NUMBERS AS COMPARED TO PAST FAIRS. REPRESENTATIVES FROM THIRD WORLD COUNTRIES, PRESENT IN LARGE NUMBERS LAST SPRING WERE REDUCED TO TRADE DELEGATIONS FROM ZAMBIA, BURMA AND MALAYSIA PLUS A SMATTERING OF OTHER AFRICANS AND ARABS. JAPANESE OBSERVERS ALSO REPORT THAT SEVERAL HUNDRED FEWER JAPANESE (USUALLY 2,000 TO 2,500 ATTEND) ARE EXPECTED FROM THEIR COUNTRY. OVERSEAS CHINESE, HOWEVER, SEEMED PRESENT IN UNUSUALLY LARGE NUMBERS, SUPPORTING CCPIT REPRESENTATIVES PO SHU-SHEN'S TATEMENT TO A NEW ZEALAND DIPLOMAT THAT MORE CHINESE FROM HONG KONG AND MALAYSIA HAD BEEN INVITED. FAIR DEPUTY SECRETARY GENERAL YANG TAN-HUA COMMENTED TO USLO OFFICERS THAT OVERALL ATTENDANCE IS EXPECTED TO BE SIMILAR TO THE SPRING FAIR; HER FAILURE TO PREDICT AN INCREASE SUGGESTS LOWERED CHINESE EXPECTATION ABOUT ATTENDANCE THIS FALL.

3. IN CONTRAST TO THIS GENERAL DOWNWARD TREND IN ATTENDANCE, THE NUMBER OF US BUSINESSMEN WAS SIMILAR TO THAT OF THE OPENING WEEK OF THE SPRING FAIR. AFTER EIGHT DAYS APPCOXIMATELY 120 AMERICANS REPRESENTING SOME 85 FIRMS HAD VISITED THE FAIR. AS USUAL THE MOST NUMEROUS US FIRMS WERE GENERAL IMPORT/EXPORT FIRMS (30) FOLLOWED BY COMPANIES SPECIALIZING IN IMPORTING PARTICULAR PRODUCTS (25) SUCH AS CARPETS, SHOES, SPICES, AND MUSICAL INSTRUMENTS. OTHER IMPORT GROUPS INCLUDED CHEMICAL AND PHARMACEUTICAL FIRMS 12) DEPARTMENT STORES (3) TOBACCO COMPANIES (3) AND FIRMS WHICH WERE EXPLORING LONG TERM EXPORT AS WELL AS IMPORT POTENTIAL SUCH AS BURROUGHS, DREDMASTERS, COCA-COLA, 3M, AND KODAK. ALSO INCLUDED AMONG THE AMERICAN CONTINGENT WAS A DELEGATION FROM THE AMERICAN CHAMBER OF COMMERCE IN HONG KONG AND HENRY BRADSHERS (WASHINGTON STAR NEWS), THE FIRST US JOURNALIST TO VISIT CHINA SINCE LAST FALL.

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4. ATMOSPHERE. DURING THE OPENING WEEK TRADERS HAVE NOTED A POSITIVE AND BUSINESSLIKE ATTITUDE ON THE PART OF CHINESE TRADE OFFICIALS AT THE FAIR. UNLIKE PREVIOUS FAIRS, MANY BUSINESSMEN SAID THEY WERE ABLE TO MAKE APPOINTMENTS QUICKLY AND RECEIVED PRICES AND QUANTITY QUOTATIONS IN EARLY MEETINGS WITH THE CHINESE. EXPERIENCED FAIR GOERS SAY THE CHINESE ARE MORE FRIENDLY AND HAVE INCREASED THE SIZE OF TRADE CORPORATION STAFFS TO TAKE CARE OF BUSINESSMEN MORE QUICKLY. SEVERAL EUROPEAN TRADERS WH

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CAME EXPECTING TO STAY FOR MOST OF THE FAIR COMPLETED THEIR
BUSINESS IN THE FIRST WEEK AND LEFT CANTON.

5. AMERICAN BUSINESSMEN REPORT THEY ARE BEING TREATED VERY WARMLY,
WITH THEIR CHINESE COUNTERPARTS REITERATING THEIR INTEREST IN
DOING BUSINESS WITH THE UNITED STATES. USLO REQUESTS FOR
MEETINGS WITH VARIOUS CHINESE TRADE OFFICIALS HAVE BEEN GRANTED,
AND A RECEPTION GIVEN BY USLO OFFICERS WAS WELL ATTENDED BY
THE CHINESE. ALTHOUGH THE ISSUE WAS RAISED IN ONLY ONE OF
USLO'S MEETINGS WITH FOREIGN TRADE OFFICIALS, THE CHINESE HAVE TAKEN
EVERY OPPORTUNITY TO REMIND US BUSINESSMEN ABOUT THE IMPORTANCE OF
MFN. IN A MEETING WITH THE HONG KONG AMERICAN CHAMBER OF
COMMERCE DELEGATION, CCPIT REPRESENTATIVE PO SHU-SHEN STATED THAT
LACK OF MFN AND THE ABSENCE OF A SOLUTION TO THE PROBLEM OF
TAIWAN WOULD HAVE AN ADVERSE EFFECT ON THE "GROWTH" OF TRADE.

7. WHILE EXPERIENCED TRADERS REPORT A GENERAL CAUTIOUSNESS ON
THE PART OF CHINESE SELLERS AND FOREIGN BUYERS DUE TO UNCERTAIN
WORLD MARKETS, BUSINESS HAS BEEN DONE IN A NUMBER OF AREAS
DURING THE FIRST WEEK. DURING THE FIRST WEEK US FIRMS COMPLETED
PURCHASES IN THE UNDER $100,000 RANGE, IN A WIDE VARIETY
OF PRODUCTS (E.G. BASKETS, GARMENTS, GIFTWARE, SHOES, ETC.).
EXCEPTIONS WERE A ONE MILLION PURCHASE OF GUM ROSIN AND A $250-300
THOUSAND PURCHASE OF TUNG OIL. (WE ALSO LEARNED THAT PRIOR TO THE
FAIR, US FIRMS BOUGHT A TOTAL OF $6 MILLION WORTH OF ROSIN.)

8. POLITICS. IN KEEPING WITH THE PRACTICE OF RECENT YEARS,
POLITICS AT THE FAIR HAVE BEEN KEPT TO AN ABSOLUTE MINIMUM WITH ONLY
MUTED REFERENCES TO THE ANTI-LIN, ANTI-CONFUCIUS CAMPAIGN. THE LACK
OF POLITICS AT THE FAIR, HOWEVER, IS IN CONTRAST TO THE ATMOSPHERE
OUTSIDE. THERE ARE NEWLY PAINTED SLOGANS AND MANY OLDER ONES ON WALLS
THROUGHOUT THE CITY TOUCHING ON LOCAL AND PROVINCIAL ISSUES. PUT UP AS

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LATE AS OCTOBER 14, THE MOST RECENT SLOGANS DEAL WITH
GRIEVANCES OF RETIRED SERVICEMEN. SINCE MANY OF THESE WERE
PAINTED ON WALLS ACROSS FROM THE FAIR AND NEXT TO RESTAURANTS
FREQUENTED BY FOREIGNERS, THEY SEEM PART OF A DETERMINED
EFFORT TO CALL THESE INTERNAL PROBLEMS TO THE ATTENTION OF
OVERSEAS CHINESE AND OTHER FAIR VISITORS.
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